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SUBJECT: US-ROK CONSULTATIONS ON INTER-KOREAN POLICY AND
DPRK CONDITIONS: NO DIALOGUE; KJI STILL IN CHARGE

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4(b/d)

SUMMARY

¶1. (C) At the first of three scheduled consultation sessions between a U.S. delegation led by DAS Alex Arvizu and a ROKG delegation led by MOFAT DG for Korean Peninsula Peace Regime Huh Chul on September 24, Huh noted that the ROKG policy goal toward North Korea remained essentially the same as that of the last 10 years: promoting reconciliation through dialogue and exchanges with the ultimate goal of peaceful reunification. However, the method had changed, emphasizing denuclearization, mutual benefit, ROK public support ("national consensus"), and coordination with international efforts. President Lee Myung-bak had made clear on several occasions that the ROK wanted to restore dialogue with the North, Huh said, but the short answer remained that "nothing is happening." Blue House Assistant Secretary for National Security Lee Choong-myon added that the ROKG plans to maintain its principled approach, taking a long-term view of the need to reframe relations, and is expecting that the North will eventually agree to talks.

¶2. (C) Ministry of Unification Deputy Director of Policy Planning Lee Jong-joo said that the ROKG had no firm information about Kim Jong-il's (KJI) health, noting that the DPRK remained a "black box," but that officials thought it significant that KJI had not been reported to be seen in public for 41 days, after 75 reported public appearances during January-August 2008. The ROKG had seen no unusual political signs in the DPRK since KJI's reported stroke such as signs of tightening control of the populace, leading Lee to conclude that, for now, "North Korea is pretty stable and Kim Jong-il is running things as usual." On the economic side, Lee pointed to continuing declines in North Korea's annual GDP and its failure to achieve the economic strength called for in the 2008 New Year's JointEditorial. END
SUMMARY.

LACK OF SOUTH-NORTH DIALOGUE

¶3. (C) A U.S. delegation led by DAS Alex Arvizu and a ROKG delegation led by MOFAT DG for Korean Peninsula Peace Regime Huh Chul met in Seoul on September 24-25 to discuss (a) the Relationship between South and North Korea and DPRK conditions; (b) Humanitarian Aid to North Korea and North Korean Refugees; and (c) North Korean Human Rights Situation. This message reports on the first of these two-hour sessions.

14. (C) DG Huh started the discussion of inter-Korean policy by noting that the ROKG goal under President Lee Myung-bak remained largely unchanged from that of the last 10 years: promoting reconciliation through dialogue and exchanges with the ultimate goal of peaceful reunification. However, the method had changed, emphasizing denuclearization, mutual benefit, ROK public support ("national consensus"), and coordination with international efforts. The ROKG would remain firm in its principles but flexible in its approach. National consensus was important, as was good coordination with international efforts on denuclearization and other issues. Denuclearization and inter-Korean relations could not be on separate tracks. Economic cooperation was possible if there were progress on denuclearization, but would have to be feasible and affordable. The goal should be creating an inter-Korean economic community, in which all Koreans live in peace and prosperity.

15. (C) Huh explained that the initial goal of Lee Myung-bak's policy was intended to break the "vicious cycle" of North Korean nuclear brinksmanship calculated to lead to concessions from the outside. Instead, the relationship needed to be "more normal," based on "reciprocity and mutual benefit."

16. (C) Having explained the ROKG's desired approach, Huh admitted that "nothing is happening" on inter-Korean dialogue. President Lee had made speeches on July 11 and August 15 calling for dialogue, but North Korea had either not responded or responded with continued negative rhetoric. North Korea complained that the ROKG did not respect the inter-Korean summit agreement reached by then-President Roh

Moo-hyun and Kim Jong-il in October 2007. However, the ROKG position was not to reject that agreement, but to instead focus on implementation of all past inter-Korean agreements. Huh said the North Korean claim that the October 2007 agreement, which the MOU had recently estimated would cost USD 14 billion to implement, encompassed all previous agreements was "specious." Hence, the ROKG needed to remain patient. Huh closed by asserting that dialogue was the starting point for resolving all pending South-North issues.

17. (C) DAS Arvizu responded with a reiteration of USG support for inter-Korean dialogue and eventual reunification. He said he appreciated the ROKG's commitment to the 1991-1992 Basic and Denuclearization agreements. Arvizu added that the USG had stressed to DPRK interlocutors that the DPRK needed to cooperate in resolving the shocking July 11 Mt. Kumgang shooting incident. Noting the difficulties, Arvizu asked whether the ROKG had in mind any bold steps to break the stalemate. DG Huh replied that there was no "ice-breaker;" the ROKG was just waiting.

MT. KUMGANG STUCK; KIC CONTINUING

18. (C) MOU Deputy Director for Policy Planning Lee Jong-joo discussed the two main South-North economic cooperation projects: Mt. Kumgang tourism and the Kaesong Industrial Complex (KIC). The July 11 Mt. Kumgang shooting incident remained unresolved. Official dialogue would be needed to resolve it, and private sector efforts (i.e., by Hyundai Asan corporation, which operates both projects) would not be sufficient. The ROKG was maintaining its firm position that an investigation of the incident was needed. Meanwhile, 200 South Korean employees remained at Mt. Kumgang taking care of the facilities.

19. (C) Asked by DAS Arvizu to speculate on North Korea's reluctance to resolve the Mt. Kumgang incident, Lee said her personal view was that the incident involved a potential loss of face for the (North) Korean People's Army, and hence could not be solved on economic grounds. However, she added, there were indications that the DPRK was interested in resolving the issue, based on comments to ROK businesspeople still at Mt. Kumgang.

¶10. (C) Turning to KIC, Lee said that despite the political situation, business was proceeding well without interruptions. She said that 79 companies employing over 30,000 North Korean workers and 1,200 ROK workers currently operated at KIC, and 40 additional companies had facilities under construction and most were expected to begin operating by the end of the year. In response to DAS Arvizu's question, she said that expulsion of ROKG officials from KIC in March 2008 was seen as a symbolic act of protest by North Korea but it had affected operations. North Korea, Lee said, did not want to do anything that would negatively impact business at KIC.

¶11. (C) Lee added that, even though inter-governmental relations were on hold, private exchanges and trade had continued increasing: 255,000 South Koreans had visited the DPRK during January-June 2008, a 45 percent increase over the same period in 2007. (Note: MOU statistics show that a major factor in this increase is the 64,000 South Koreans who visited Kaesong City during January-June 2008, compared to the 7,400 who visited after the tours started in December 2007; MOU figures also show Mt. Kumgang visitors up 10 percent over 2007 levels. However, the overall 2008 visitor figures will likely be well below 2007's since Mt. Kumgang has been closed since July. End Note.) Lee added that inter-Korean trade reached USD 1.6 billion during the first half of 2008, a 60 percent increase over the same period in 2007.

NORTH KOREAN SITUATION: KJI STILL IN CHARGE

¶12. (C) MOU's Lee also provided the ROKG's assessment of the political situation in North Korea. KJI had been seen 75 times in public during the first eight months of 2008; hence, it was remarkable that he had not been seen for 41 days (as of September 23) and that he did not attend the sixtieth anniversary commemoration of the founding of the DPRK

September 9. However, the ROKG did not have confirmed reports about KJI's condition nor had analysts seen evidence of unusual conditions in Pyongyang. She cited MOU Minister Kim Ha-joong's comment to the National Assembly that it was inappropriate for the ROKG to comment on rumors about KJI's condition because this could be seen as a hostile act. Noting that the DPRK was behaving in a "business as usual" fashion, hosting an international film festival as well as receiving a 129-member civic group from the ROK, Lee offered a hedged assessment: KJI appeared to be running things as usual now, but his likely illness would lead top DPRK officials to concentrate on stabilization and loyalty at the expense of other issues, such as economic progress.

¶13. (C) On the economic side, Lee said, conditions remained poor: North Korea's GDP had declined by an estimated 1.1 percent in 2006 and a further 2.3 percent in 2007, and was expected to decline again this year; electricity supply was meeting only 60 percent of demand; the trade deficit was USD 1.1 billion in 2007; and the DPRK had a food shortage estimated at 1 million metric tons. The DPRK's approach of "self help" to address these issues would not work.

¶14. (C) Lee said the DPRK's hostile attitude toward the ROK was slowly changing: the number of hostile comments in the media in August was half that in June; DPRK officials in Mt. Kumgang were hinting that they wanted to resume tourism there; and there were signs that the DPRK would accept ROK food aid.

DPRK'S EXTERNAL RELATIONS: CHINA FOCUS

¶15. (C) MOFAT Director for Inter-Korean Relations Chin Ki-hoon opened discussion of the DPRK's external relations by noting that he saw China as developing a strategic and

practical relationship with the DPRK, rather than one governed by the China-DPRK alliance or shared ideology. The DPRK relied on China to avoid economic difficulty, so it was clear that China had influence, but the question was whether China would use it. He evaluated China's attitude as wanting to preserve North Korea as a buffer zone, implying a status quo approach.

¶16. (C) Chin said prospects were dim for progress on the Japanese abduction issue. The DPRK still regarded the issue as "over" because KJI had apologized to then-Prime Minister Koizumi during their 2002 meeting, so it was no surprise that the DPRK had postponed its promised investigation when Prime Minister Fukuda resigned.

¶17. (C) Chin said the DPRK focuses on obtaining aid in its relations with European Union countries. DG Huh noted the DPRK's relationship with the EU is useful because the DPRK regards the EU as more neutral and objective than either the U.S. or ROK.

¶18. (SBU) Participants

ROKG:

Huh Chul, Director General for the Korean Peninsula Peace Regime Bureau, MOFAT
Jin Gi-hoon, Director, Inter-Korean Policy Division, MOFAT
Lee Won-ik, Director, Korean Peninsula Peace Regime Division, MOFAT
Lee Choong-myong, Assistant Secretary to the President for National Security Strategy, Blue House
Lee Dong-yeol, First Secretary, North America Division 1, MOFAT
Lee Jong-joo, Deputy Director, Policy Planning Division, MOU
Yoo Chang-ho, First Secretary, Korean Embassy to the U.S.
Song Yong-min, Second Secretary, Inter-Korean Policy Division, MOFAT
Lim, Hyo-sun, Second Secretary, Inter-Korean Policy Division, MOFAT
Notetakers

U.S.:

Alex Arvizu, Deputy Assistant Secretary of State for Japan and Korea
Terry Rusch, Director of Admissions, Bureau of Population, Refugees and Migration

Mary Comfort, Attorney-Advisor, Office of the Legal Adviser
Meghann Curtis, Asia Near East Program Officer, Bureau of Population, Refugees and Migration
Michael Orona, Deputy Director, Office of Asia and the Western Hemisphere, Bureau of Democracy, Human Rights and Labor
Laura Rosenberger, Foreign Affairs Officer, Korea Office, Bureau of East Asia and the Pacific
Amy Patel, Desk Officer, Korea Office, Bureau of East Asia and the Pacific
Allison Hooker, East Asia Analyst, Bureau of Intelligence and Research
Embassy notetakers

STEPHENS